



Exploring the Role of Supply Chain to Maximize Physician Alignment

JEAN CHENOWETH

SR. VICE PRESIDENT, PERFORMANCE IMPROVEMENT

AND 100 TOP HOSPITALS

THOMSON REUTERS

HEALTH CARE REFORM

Don Berwick, M.D. :

“Cost reductions will come from **eliminating waste** and what does **not make sense**, but **not from withholding any care that helps . . .**”

HEALTH CARE REFORM

- Reduce need for high cost services
 - Eliminate avoidable re-admissions
 - Reduce demand for admission
 - Coordination of care across settings
 - Improve population health
 - Increase shared decision-making
- Reduce unnecessary use of Emergency Dept.
- 5 Rights become real
 - Right thing
 - Right time
 - Right place
 - Right outcome
 - Right cost

PRIORITIES OF 100 TOP CEOS

- Quality
- Reduced Reimbursement
- Physician relationships and alignment
 - Pay for Performance
 - Continuum of care
 - New structures
 - Horizontal delivery of care
 - Tracking of quality and cost
 - Wellness

Source: 100 Top Hospitals CEO Insights, Thomson Reuters, September 2011

TOP CEOS HAD TAKEN ACTION TO ALIGN PHYSICIANS – APRIL 2011

- CEOs with no integrated delivery system
 - Physicians seeking employment
 - Selection criteria: adaptation to team versus independence
 - PCP versus Specialists
- CEOs with integrated delivery systems
 - Expansion to independent physicians
- Restructuring to cede decision-making power
 - Hospital is only one part of continuum
 - Service line structure to drive performance across all settings

SYNCHRONIZE WITH CEO PRIORITIES

- Cost reduction - Supply chain execs in synchronization
- Quality – What is supply chain exec impact on quality?
 - What is degree of synchronization with CEO priorities?
 - Product selection committees and standardization
 - Is standardization linked to protocols?
 - Are outcomes better after standardization?
 - Do you need an attitude transplant?
 - Are physician preference items a target for cost cutting or an opportunity improve quality?
- Is your program positioned as a benefit for physicians?

ATTITUDE FOR ALIGNING WITH DOCS CAN YOU ANSWER —

HOW MANY PATIENTS GOT A SPORER HIP IMPLANTS WERE
WALOUNG AND IS A BETTER TREATMENT ON THE FLAHER? AVERAGE
BECAUSE XIGRIS IS TOO INFREQUENTLY USED?



EFFECTIVE DECISIONS CANNOT BE MADE WITHOUT KNOWING QUALITY IMPACT

- Reform requires improved continuum of care
- Value is not defined by the inpatient stay
 - Full recovery – not speedy discharge
 - Prevention of inpatient admissions and re-admissions
 - Avoidable or unnecessary physician and outpatient services
- EMR and HIE are the systems provide granular data for tracking across settings
- You need that data
 - Program integrity
 - Aligning with physicians

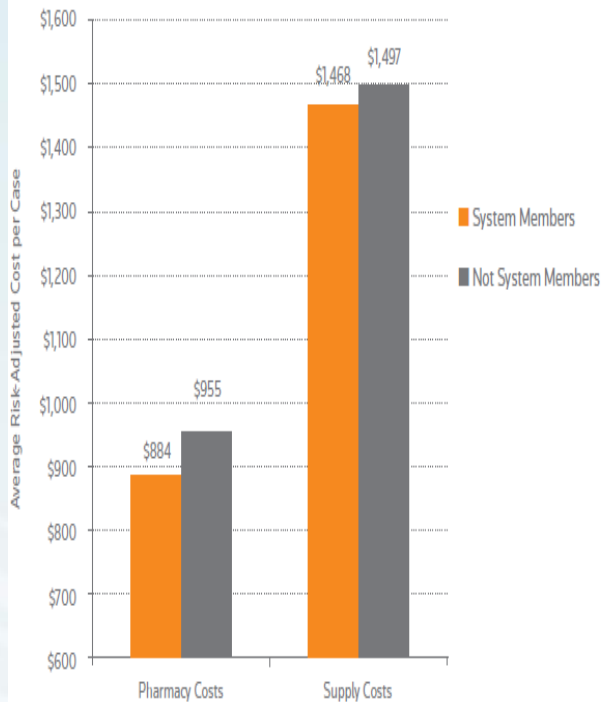
INPATIENT QUALITY IMPROVING, BUT NOT EXPENSE

Performance Measures	1999-2003						2005-2009					
	Significantly Improved Performance		No Significant Change in Performance		Significantly Declining Performance		Significantly Improved Performance		No Significant Change in Performance		Significantly Declining Performance	
	No. of Hosp ¹	Percent of Hosp ²	No. of Hosp ¹	Percent of Hosp ²	No. of Hosp ¹	Percent of Hosp ²	No. of Hosp ¹	Percent of Hosp ²	No. of Hosp	Percent of Hosp ²	No. of Hosp	Percent of Hosp ²
Risk-Adjusted Mortality Index	748	28.9%	1,738	67.1%	106	4.1%	1,582	55.4%	1,245	43.6%	27	0.9%
Risk-Adjusted Complications Index	241	9.3%	1,988	76.7%	363	14.0%	257	9.0%	2,194	76.9%	403	14.1%
Patient Safety Index	155	6.0%	1,943	75.0%	494	19.1%	293	76.9%	2,343	83.0%	187	6.6%
Severity-Adjusted Aver LOS	557	21.5%	1,914	73.8%	121	4.7%	1,1175	41.2%	1,652	57.9%	27	0.9%
Expense per Adjusted Discharge	34	1.3%	1,662	64.4%	885	34.3%	16	0.6%	1,682	59.1%	1,150	40.4%
Profitability (Operating Profit Margin)	198	7.6%	2,253	87.0%	140	5.4%	184	6.5%	2,478	87.3%	176	6.2%
Core Measure Mean Percent							2,442	85.6%	412	14.4%	0	0.0%

Source: 100 Top Hospitals: National Benchmarks, Thomson Reuters, 2004
 100 Top Hospitals: National Benchmarks, Thomson Reuters, 2011

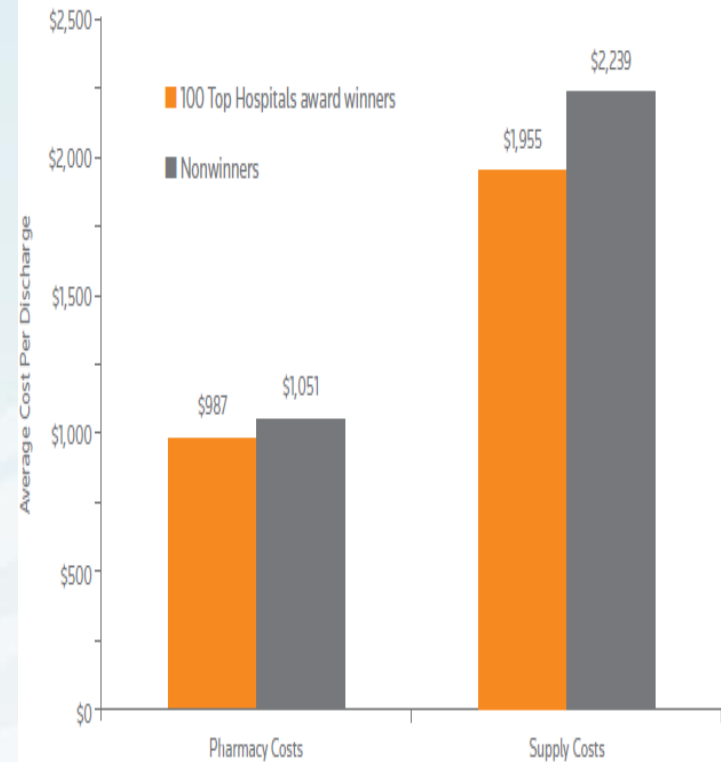
100 TOP, SYSTEM MEMBERSHIP AND HIGH PERFORMANCE

SYSTEM MEMBERS HAVE LOWER PHARMA AND SUPPLY COSTS



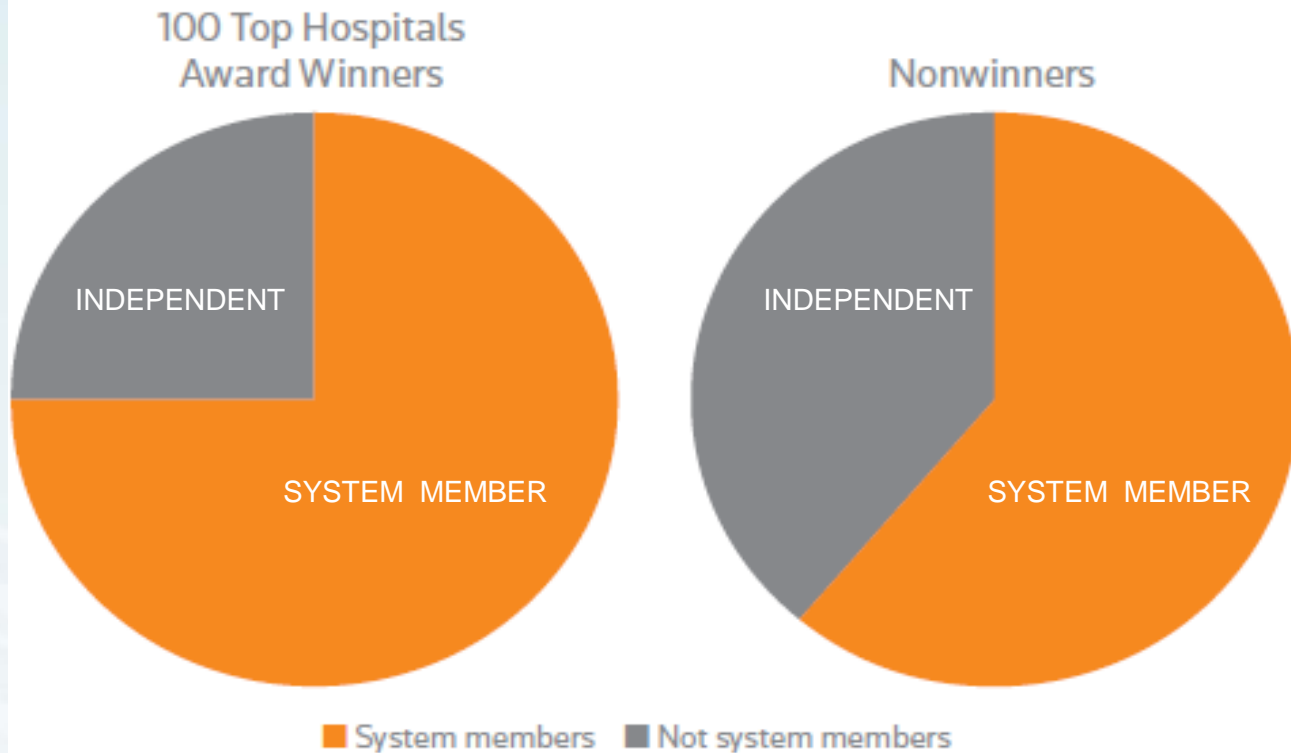
*Difference in pharmacy spending is statistically significant; difference in supply spending is not.

100 TOP HAVE LOWER PHARMA AND SUPPLY COSTS



100 TOP HOSPITALS ARE MORE LIKELY TO BELONG TO SYSTEM

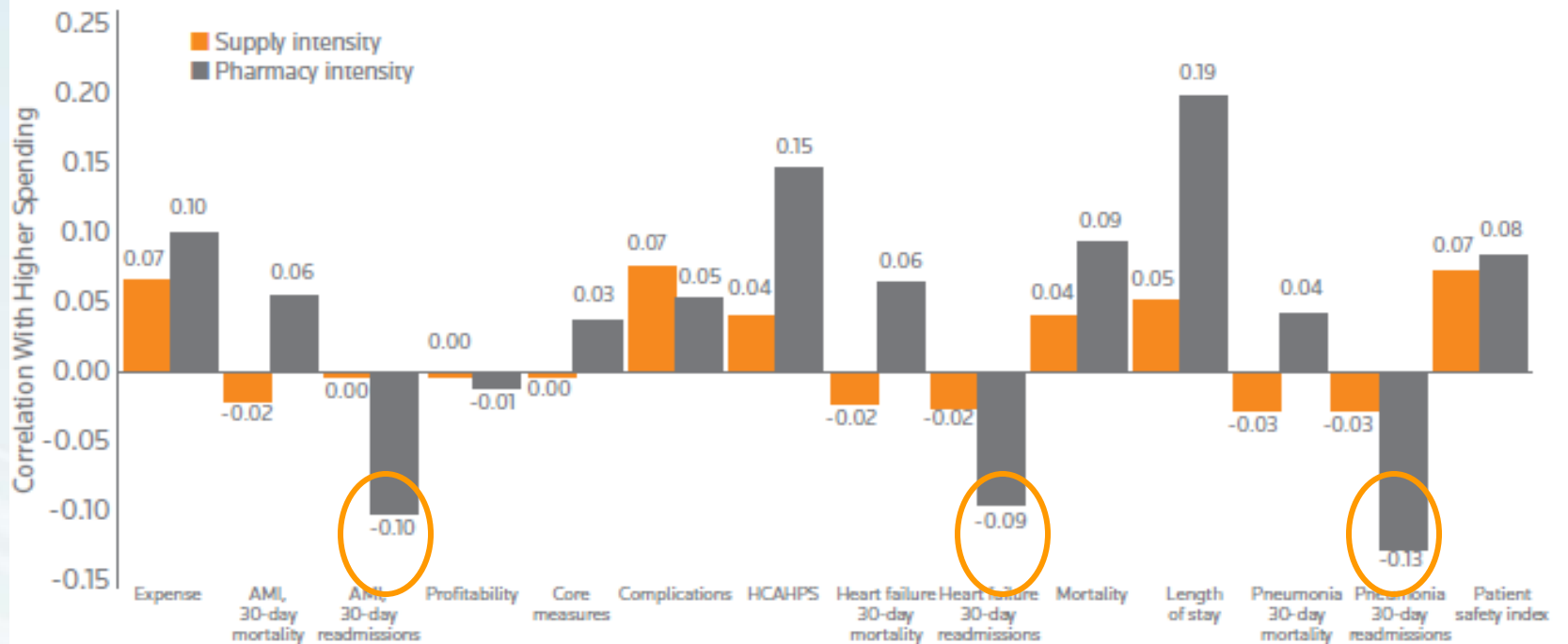
Figure 2. Top-Performing Hospitals Are More Likely to Be Part of a System



PHARMACY, STANDARDIZATION, QUALITY

LOW PHARMACY INTENSITY CORRELATED WITH BETTER QUALITY, LOS, EXPENSE – BUT NOT RE-ADMISSIONS

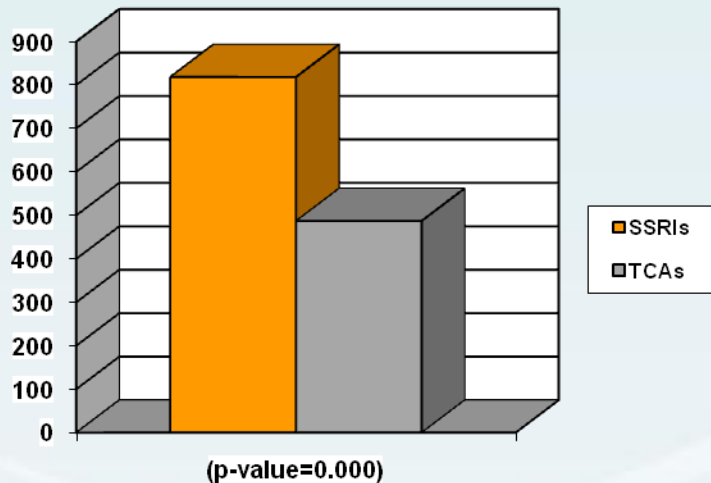
Figure 4. Lower Spending on Pharmacy and Supplies Correlated With Better Performance on Certain Measures of Quality



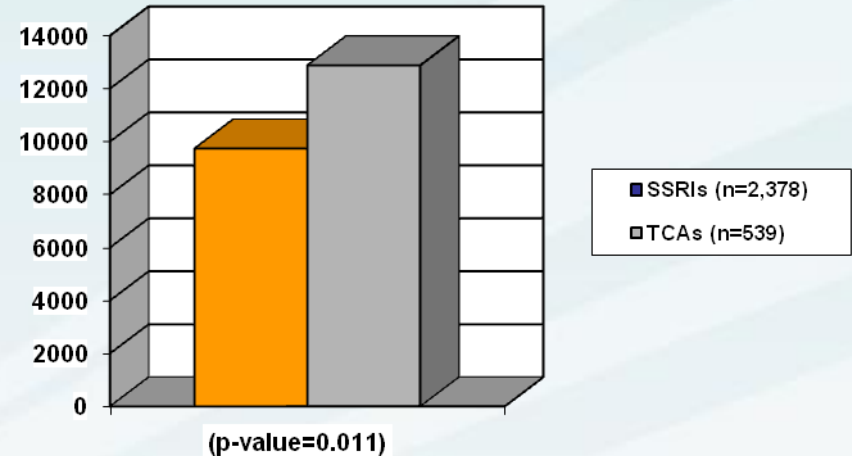
SOURCE: Thomson Reuters

DO NOT STANDARDIZE ON COST ALONE HIGHEST PRICE MAY MEAN LOWEST COST IN LONG TERM

Two-Year Total Healthcare Costs from Treating Episodes of Depression with SSRIs versus TCAs



Two-Year Mean Drug Costs



Two-Year Mean Total Healthcare Costs

"Anti-Depressant Selection, Drug Use Patterns, and Two-Year Health Care Expenditures," William H. Crown, PhD and Michael Treglia, PhD, Presentation to the International Health Economics Association Meeting, Rotterdam, Holland, June 9, 1999. Source: Thomson Reuters MarketScan® Research Databases.

IMPLICATIONS

- High balanced performance
 - Significantly associated with lower pharmaceutical and supply costs
 - Significantly associated with high clinical outcomes, shorter stays
 - Significantly associated with health system membership

THINK “ACO”

Collaboration/integration to IMPROVE quality is imperative

CEO priorities

Serve the increasingly powerful physician organization

Independent hospitals will mimic system advantages through partnerships

HIGH VALUE FOR ALIGNED DOCS

- CEO priority is physician alignment
 - Access to lower prices and cost benefit is key advantage
- Physicians are your customers
 - Your goal is to serve them
 - Establish common purpose: higher quality
- Physician needs
 - Best outcomes for patients as quickly as possible
 - Ways to lower their own cost of care
 - Not at expense of doing the right thing
 - Not at the expense of doing the best thing

INCREASING EFFECTIVENESS — TRUST THROUGH COMMON PURPOSE

- Know how you want service to be viewed
- Find out internal reputation of your program
- Quality improvement team view of contribution to quality
 - Separate and irrelevant to their activities?
 - Focused primarily on cost?
 - Partner in improving quality?
- View of most physicians of contribution to quality
 - Cost cutter?
 - Limit practice choices?
 - Partner in improving quality?

**SUPPLY CHAIN SHOULD BE VIEWED AS A
PART OF THE SYSTEM - NOT IN OWN ORBIT
GOAL: ALIGN WITH PERFORMANCE/QUALITY IMPROVEMENT**



BUILDING TRUST

- Trust evolves over time, based on actions
- Commitment to improving quality is NOT “do no harm”
- If physicians trust commitment to quality and service integrity, effectiveness soars
- Meaningful commitment
 - Base 30 - 40% of incentive bonus on improved quality
 - Enough incentive to assure you talk and walk

GREATER INTEGRATION INTO CEO PRIORITIES & QUALITY STRUCTURE

- Align with hospital-wide and system-wide quality improvement goals

Partners - Massachusetts General, The Brigham

- Infection Control
 - Combines cost assessment with quality assessment
 - Team-based approach for antibiotic management
 - Studies show more expensive is not better in most cases
 - Variation from protocol requires consult w infection control
 - Discussions educate
 - Strengthens interdisciplinary commitment to 5 Rights

MONITORING IMPACT ON QUALITY

- Collaborate to monitor your decisions on efficacy
 - Routine tracking of impact on hospital's patient outcomes
 - Assure regular updating of formularies, protocols

Memorial Hermann Health System

- Closed formulary for whole system
 - 20 Clinical Program Councils system-wide
 - Regular meetings of CPC
 - Update system-wide guidelines
 - Change clinical pathways
 - Uniform prescribing
 - Maximizes buying power

COMMUNICATE POWER OF COLLABORATIVE EFFORT

- Publish results to key physician and quality leaders
 - Highlight objective impact on raising quality and lowering cost
 - PHO leadership
 - Service line leadership
 - Quality and Pharmacy Committees
- Report major results to Leadership Team and Board Quality Committee

HEALTH CARE REFORM IS A GREAT OPPORTUNITY

- Incentives for physicians align with hospital and supply chain management goals
- Collaboration with PHO or physician organization ideal distribution channel
 - Education on cost effectiveness
 - Physician - Supply Chain successes
- Funding of EMR and HIE offers path of far greater effectiveness for twin imperatives
 - Improved quality
 - Lower costs

QUESTIONS